a mid-year
economic
forecast

Alberta

"Executive Report - 1972"

...a mid-year economic forecast

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FOREWORD

The "mid-year economic forecast" edition of Executive Report - 1972 focuses on the prospects for the Alberta economy. The purpose of the Executive Report series is to provide businessmen with a forecast for the Alberta economy which we trust will assist in planning business activities in the last half of 1972 and beyond.

The material and statistics used in this analysis were derived from a variety of sources. Included are: Statistics Canada, Alberta Bureau of Statistics, Alberta Energy Resources Conservation Board, Alberta Department of Agriculture, Department of Lands and Forests, Oilweek magazine and various other industry reports.

Please direct all enquiries and comments to:

Planning and Intelligence Branch,
Department of Industry and Commerce,
1629 Centennial Building,
Edmonton, Alberta.
T5J 0H4

Attention: K. J. Patterson,
Economist.

NOTE: THE TOTAL ACTIVITY INDEX IS A COMPOSITE OF THE SECTOR INDEXES, WEIGHTED BY "VALUE ADDED" TO THE ALBERTA ECONOMY.

SUMMARY

Positive performance has been recorded by most economic indicators in the first six months of 1972, indicating a year of strong growth in the Alberta economy. The momentum generated in 1972 should carry into 1973.

In spite of the performance anticipated, it is important to recognize several economic forces that could adversely affect growth in the next 6 - 12 months.

Recent trends in price increases and the demand for loans outpacing increases in the money supply are signalling the possibility of a resurgence of inflation within the next year. The January to July period consumer price indices for Edmonton-Calgary are, on the average, 3.6 percent ahead of the same period last year.

Rising interest rates and rapid increases in loans, bank assets and other money supply aggregates in late 1971 and 1972 to date are a result of the strong demand for credit and loans throughout Canada. High interest rates have resulted in an inflow of short-term capital Canada and in turn, forced up the exchange rate of the Canadian dollar. One imp. rtant problem facing the Bank of Canada in the next six months is to achieve a balance between tight bank liquidity and allowing credit to expand to demand. Other factors influencing the strength in the Canadian dollar are the general weakness of the U.S. and European currencies and the lack of controls on capital inflows to Canada.

Throughout the last half of 1972 the Bank of Canada is expected to employ a moderate expansionary monetary policy in response to the need to encourage economic growth and reduce unemployment while maintaining efforts to avoid the possibility of a resurgence of inflation.

On the international front, the recent floating of the pound sterling by Britain was a result of pressure on the British economy and on the foreign exchange markets. Prior to the sterling crisis, a national railway strike in

Britain was averted, manufacturing investment was expected to be reduced below 1971's level, and the threat of the national dock strike was imminent. Of more immediate concern is the effect of Britain's action on the world currency realignment schedule agreed to in late December, 1971. In turn, any significant disruption of the exchange market in coming months could adversely affect world trading patterns of Canadian goods.

Prospects for the Alberta economy are supported by changes in the economic indicators comprising the Total Activity Index. A summary of the first half results for 1972 and the subsequent outlook for the balance of 1972 are given below:

1. Preliminary estimates for the value of manufacturers' shipments indicate a 13 percent increase over 1971's estimate of $1.99 billion due to strong consumer demand, increased personal incomes and easier credit terms.

2. Expectations for the oil and gas industry in Alberta in 1972 are positive with increases of 15 percent and 16 percent in production of crude oil and equivalent and natural gas, respectively, expected. Two of the most important considerations facing the industry in coming months will be the pricing of natural gas and the route of an Arctic pipeline. With regard to exploration in Alberta, it has been estimated that nearly $117 million has been allocated for or committed to exploration activity in Alberta over the next few years.

3. Coal production in Alberta in 1971 represented the highest production year since 1946. With production of coal already up by over 29 percent for the first half of 1972, the forecast total of near 11 million tons for 1972 should be within reach.

4. Recent wheat agreements with the Soviet Union and the People's Republic of China should result in record shipments of grain from country elevators in Alberta in 1972. The strength shown in cattle prices and slaughterings combined with the grain shipments should result in a 10 percent increase in farm cash receipts in 1972 to close to $856 million.

5. Preliminary capital investment intentions in Alberta for 1972 of over $2.7 billion were recently revised upwards to $2.8 billion. Uncertainty generated as a result of the U.S. Economic program and world currency imbalances when the survey was first conducted has been eliminated somewhat due to increased sales and profits in the first six months of 1972.

Index of Activity by Sector
Alberta 1968 - 1972

(1968 = 100)

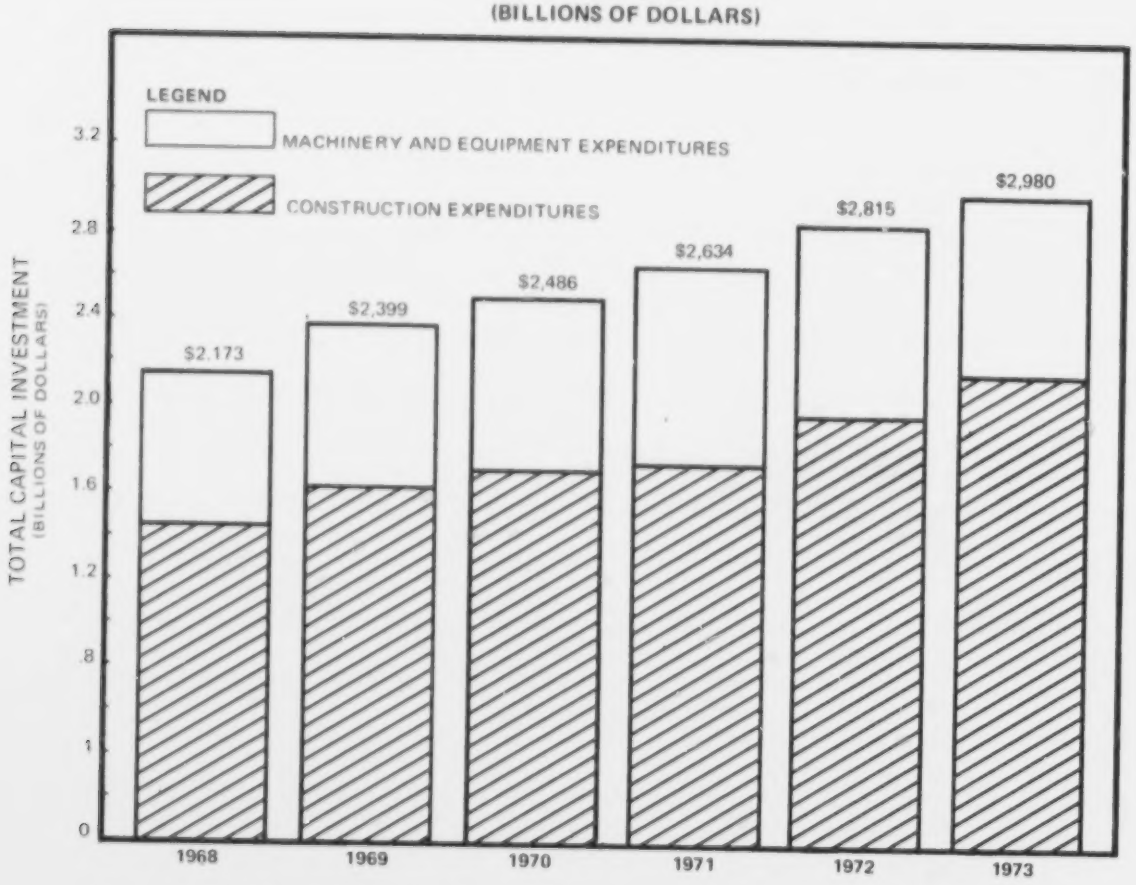
Year/ Quarter	Manufacturing	Mining*	Agriculture	Construction	Forest Products	Total*
1968						
I	108.2	114.8	108.4	74.0	177.6	103.1
II	97.1	77.2	95.7	111.1	66.3	92.9
III	99.6	96.5	82.1	108.9	52.1	96.7
IV	95.3	110.4	113.9	106.1	103.9	107.0
1969						
I	107.2	124.6	86.7	75.3	240.1	102.8
II	92.8	84.3	92.2	127.5	101.7	98.1
III	91.7	101.1	80.9	121.1	87.5	99.9
IV	96.0	109.7	113.9	116.6	110.9	109.5
1970						
I	107.8	126.7	99.2	75.9	257.2	105.5
II	93.3	81.3	111.6	99.3	72.5	94.0
III	105.0	103.9	119.8	106.9	72.5	107.8
IV	106.8	120.4	126.0	103.8	141.6	115.0
1971						
I	117.8	135.0	106.1	72.9	252.2	112.1
II	106.2	88.8	112.9	121.2	60.3	104.6
III	121.4	114.2	124.2	137.2	88.8	122.9
IV	117.3	129.9	143.3	111.9	121.7	125.8
1972						
I	136.2	150.7	106.1	86.1	288.8	124.7
II**	114.6	105.2	126.4	129.4	92.3	117.0
III**_*	123.6	129.5	137.4	157.8	97.3	136.4
IV***	120.1	153.8	149.6	144.4	162.3	144.0

* Revised
** Preliminary Actual.
*** Forecast

PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity Total Year 1971 - 1970	 Year to Date 1972 - 1971
MANUFACTURING		
Slaughtered Meat Production	+13.6	+12.1 (Jan - June)
Slaughtered Meat Exported	+12.6	+16.9 (Jan - June)
Refinery Production	+10.7	+24.0 (Jan - May)
Cement Production	+ 4.5	+13.2 (Jan - June)
MINING		
Oil Production	+ 9.4	+19.7 (Jan - June)
Gas Production	+10.1	+ 9.4 (Jan - June)
Footage Drilled	+ 1.8	+14.7 (Jan - May)
Number of Wells Drilled	+ 9.6	+44.4 (Jan - May)
Coal Production	+31.7	+29.4 (Jan - June)
CONSTRUCTION		
Urban Dwelling Starts	+54.0	+ 2.9 (Jan - June)
Rigid Insulation Board Shipments to Alberta	+15.6	+ 3.5 (Jan - June)
Metal Shapes Shipments (Est'd)	- 4.0	+ 1.0 (Jan - June)
AGRICULTURE		
Grain Shipments	+ 8.8	+ 7.3 (Jan - June)
Livestock Marketed	+15.1	+ 9.9 (Jan - May)
Farm Cash Receipts	+ 9.8	+20.3 (Jan - June)
FORESTRY		
Lumber Production	+ 6.1	+ 3.5 (Jan - June)
Lumber Sales	+34.7	+ 4.4 (Jan - June)
Lumber Exports	+26.5	+15.0 (Jan - June)
Pulpwood Production	-34.9	+450.0 (Jan - June)

CAPITAL INVESTMENT IN ALBERTA
1968 - 1973
(BILLIONS OF DOLLARS)



SOURCE: "PRIVATE AND PUBLIC INVESTMENT IN CANADA", VARIOUS; PREPARED JOINTLY BY STATISTICS CANADA AND THE DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE. CATALOGUE NO. 61-205.

(NOTE: 1968-1970, ACTUAL DATA; 1971, PRELIMINARY ACTUAL; 1972, INTENTIONS; 1973, ERB FORECAST)

6. The record level of urban dwelling starts in Alberta in 1971 is not expected to be matched in 1972, even though single detached starts will be up considerably from 1971. A total of approximately 21,200 urban dwelling starts is approximately 2 percent below 1971's level, directly attributable to declines in new multiple dwelling unit construction.

7. The main thrust in the improved performance in the Forest Products Industry in 1972 will be increased lumber production in response to residential construction demand. There will also be increases in pulpwood production following the strike of loggers in 1971. A 14 percent increase in the Forest Products Activity Index can be expected as a result of the current strength in Index components. It is expected that full commercial logging will commence in the Grande Prairie area this winter to build up inventories for the new pulpmill.

Indications for 1972 are for at least a ten percent increase in consumer spending in Alberta to an estimated $4,430 million. With record levels of dwelling starts in Alberta in 1971, purchases of durables such as major household appliances and furniture are expected to be strong throughout the year. Retail trade is up 16 percent for the first six months of 1972 compared with one year ago reflecting the momentum in spending. A further 10.0 percent increase in consumer spending is expected for 1973 in Alberta to over $4,800 million.

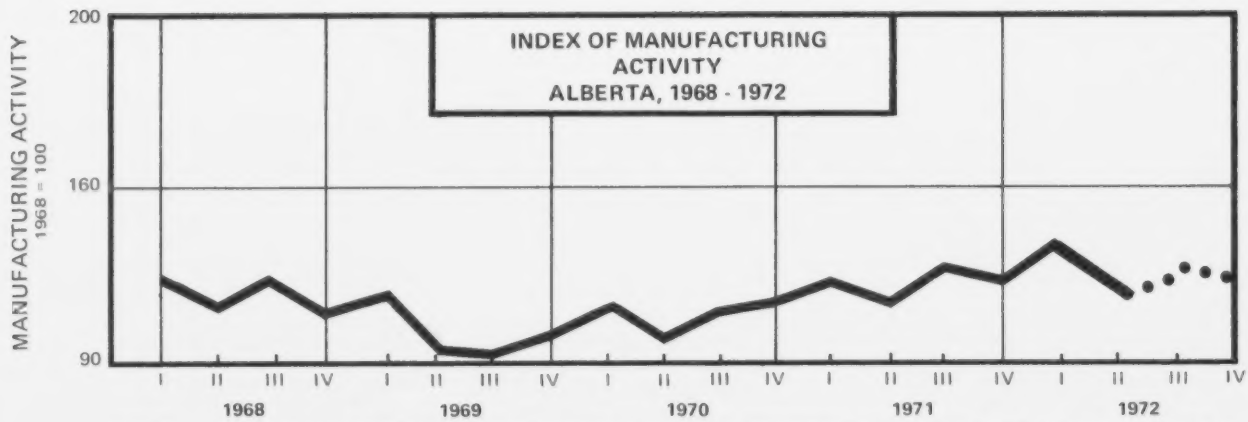
For 1972, the Alberta labour force is expected to grow by over 2.5 percent with a corresponding increase of nearly 3 percent in total employed. These increases are compared to a 2.2 percent increase in labour force between 1970 and 1971 and a 1.8 percent increase for the same period for total employed. Accounting for part of the increase will be the level of employment in the Grande Prairie area. The construction of the new pulpmill is well underway and logging operations are expected to begin in early 1973. It has been estimated that over 600 persons will be newly employed in logging operations, pulpmill operations and in service industries in the Grande Prairie area.

LABOUR FORCE CHARACTERISTICS
ALBERTA, 1968 - 1972

LABOUR FORCE SURVEY FIGURES - ALBERTA
ANNUAL AVERAGES & ANNUAL CHANGES 1968-1972

Year	Total Labour Force	Total Employed	Participation Rate
1968*	604,000	586,000	59.7
1969*	628,000	611,000	60.1
1970*	650,000	622,000	60.2
1971*	664,000	633,000	59.4
1972 (Forecast)**	681,000	652,000	59.3
Percentage Change			
1968-1969	4.0	4.3	--
1969-1970	3.5	1.8	--
1970-1971	2.2	1.8	--
1971-1972 (Forecast)**	2.6	3.0	--

* Manpower Review - Prairies and Northwest Territories, November, December, 1971, Department of Manpower and Immigration.
** Planning and Intelligence Branch.



NOTE: THE MANUFACTURING ACTIVITY INDEX IS A COMPOSITE OF MEAT SLAUGHTERING, SAWMILL, CEMENT AND REFINERY PRODUCTION WEIGHTED BY THE VALUE OF THE COMPONENTS.

The Manufacturing Activity Index - by Quarter - 1968 - 1972

Year/Quarter	I	II	III	IV	AVERAGE
1968	108.2	97.1	99.6	95.3	100.0
1969	107.2	92.8	91.7	96.0	96.9
1970	107.8	93.3	105.0	106.8	103.2
1971	117.8	106.2	121.4	117.3	115.7
1972	136.2	114.6 *	123.6**	120.1**	123.6**

* Preliminary Actual
** Forecast

MANUFACTURING

According to 1971 estimates, the value of manufacturers' shipments in Alberta in 1971 displayed a 4.5 percent increase over 1970 to nearly $1,992 million. Favourable performance of the Alberta economy in the last quarter of 1971 and the first half of 1972 indicates that a 13 percent increase in shipments can be expected in 1972. This represents a forecast total of just over $2,251 million.

VALUE OF MANUFACTURERS' SHIPMENTS

Alberta, 1968 - 1972

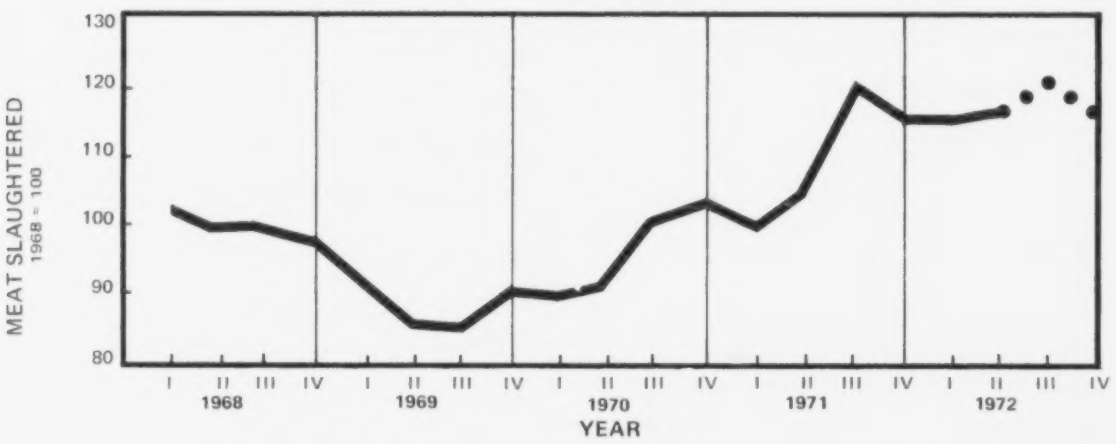
Year	Value (1) ($'000)	% Change Year/Year
1968	1,667,000	12.3
1969	1,849,400	10.9
1970	1,863,500	.8
1971	1,992,000 (2)	6.9
1972	2,251,000 (3)	13.0

Source:
1. Statistics Canada, 1967 - 1970.
2. Alberta Bureau of Statistics Year-end estimates.
3. Planning and Intelligence Branch forecast.

The increase in the value of shipments expected for 1972 is based on expectations for strong consumer demand, increased personal income, easier credit terms and positive performance of manufacturing in recent months. Slaughtered meat production is up almost 12 percent for the first six months,

stimulated in part by the non-index component - slaughtered meat exports - which are up nearly 17 percent for the same period. Production of petroleum refined products increased by 24 percent in the first five months largely accounted for by the increased production at the Gulf refinery in Edmonton. Cement production to the end of June is up by nearly 13 percent reflecting strength in the construction industry in Alberta. Lumber production is up by nearly 4 percent to over 340 million board feet for the first six months of 1972 stimulated by housing construction in Canada and the western United States.

INDEX OF MEAT SLAUGHTERING
ALBERTA, 1968 - 1972
(1968 = 100)

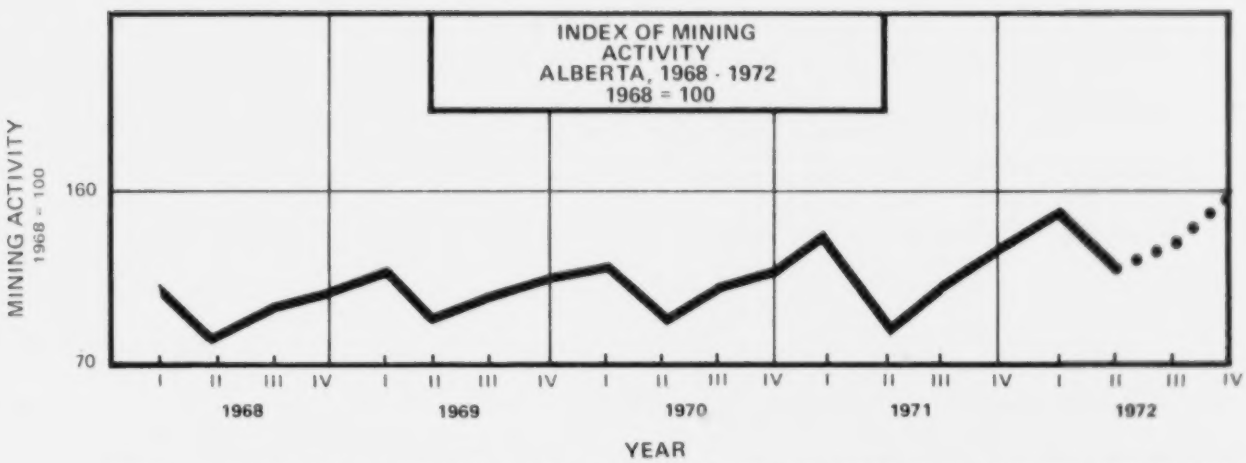


In general, expectations are for increases in cattle and calf marketings which will offset slight declines in hog marketings, resulting in a good year for the meat packing industry in Alberta in 1972.

Total 1972 investment for the manufacturing industry in Alberta is expected to increase by 29 percent from a year earlier to $232.9 million. The bulk of the increase will be for construction expenditures, expected to increase by $38.8 million to $86.7 million while expenditures on machinery and equipment are expected to increase by $14 million.

Construction is expected to start within the next year on a $30 million-plus expansion at the cement plant near Calgary with additions to Imperial Oil's refinery capacity in Edmonton ($200 million-plus) already underway. No date has been set on the proposed $50 million addition to the pulpmill at Hinton.

Major projects under construction at the end of 1971 were the $34 million thermal power plant at Grande Cache; the $40 million Big Horn Dam; the ongoing expansion of the thermal power plant at Lake Wabamum ($48 million); the $10 million addition to the Canadian Phoenix Steel & Pipe Ltd. plant in Calgary; the expansion of the Great Canadian Oil Sands Ltd. plant near Fort McMurray, valued at $16 million; the construction of the $92 million Grande Prairie pulp mill and the $4 million stud mill at Hinton.



NOTE: THE MINING ACTIVITY INDEX IS A COMPOSITE OF PETROLEUM ACTIVITY WITHIN THE PROVINCE (INCLUDING OIL AND GAS PRODUCTION, ALONG WITH WELL FOOTAGE DRILLED) AND COAL PRODUCTION, WEIGHTED 97 PERCENT TO PETROLEUM AND 3 PERCENT TO COAL.

THE MINING ACTIVITY INDEX
ALBERTA, 1968 - 1972

Year	I	II	III	IV	AVERAGE
1968	114.8	77.2	96.5	110.4	99.7
1969	124.6	84.3	101.1	109.7	104.9
1970	126.7	81.3	103.9	120.4	108.1
1971	135.0	88.8	114.2	129.9	117.0
1972	150.7	105.2*	129.5**	153.8**	134.8**

* Preliminary Actual
** Forecast

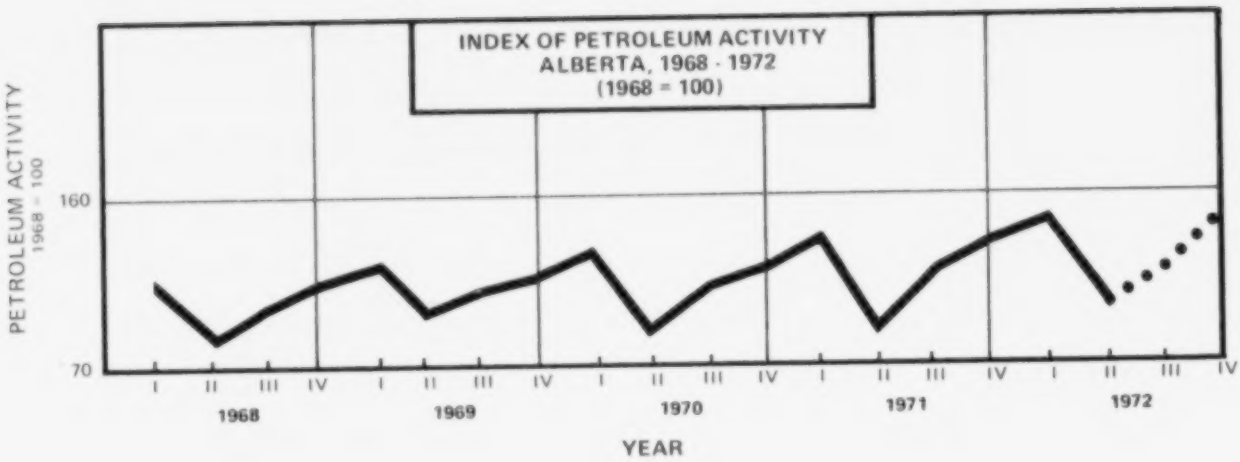
MINING

The Petroleum Industry

Conventional crude oil and equivalent production in Alberta in 1971 totalled 416 million barrels representing an increase in production of 9.3 percent from 1970. Exports to the United States from Alberta increased 13 percent to nearly 232 million barrels. Of these exports, 157 million barrels and 75 million barrels were delivered east and west of the Rockies, respectively. Approximately 56 percent of all Alberta crude oil deliveries were made to the U.S. with 33 percent going to the rest of Canada and the balance consumed in Alberta.

Expectations are for a further 15 percent increase in crude oil production in Alberta in 1972. Contributing to the increase in production will be the demand by domestic and U.S. refineries. In spite of this optimism, the Alberta Energy Resources Conservation Board estimated that additions to Alberta's recoverable crude oil reserves were less than production for the second consecutive year, representing 21 years of supply at 1971 production levels.

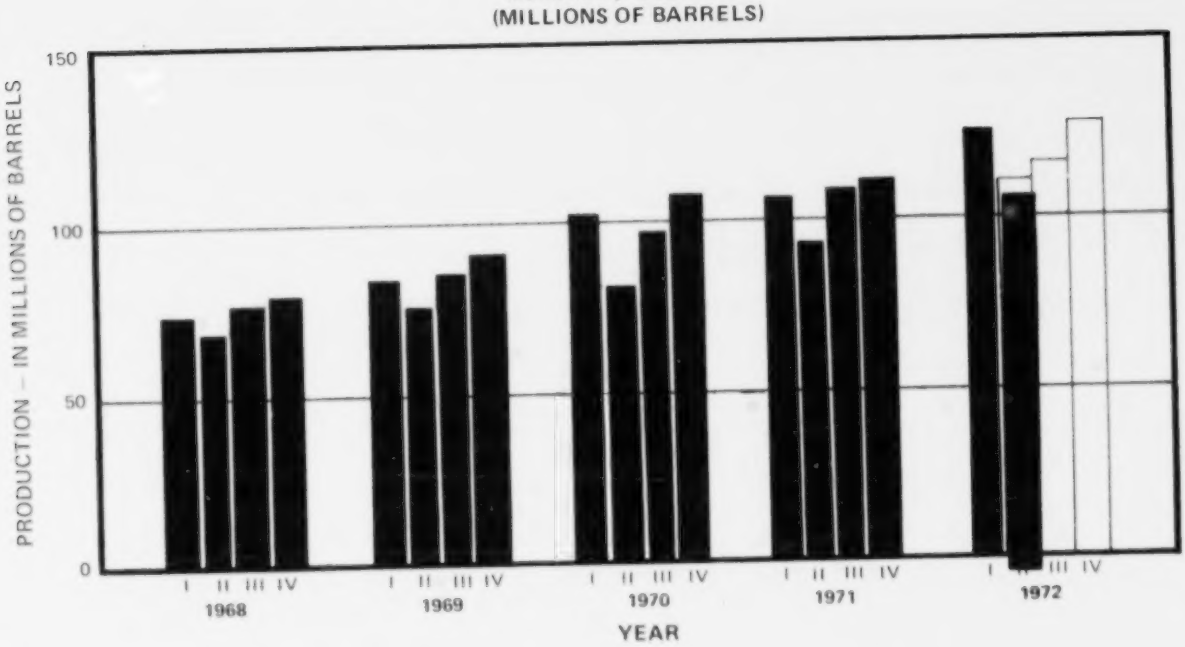
The production of natural gas in 1971 increased by about 10 percent over 1970. The growing concern with pollution and the rising relative costs of alternative fuels will stimulate an increase of almost 15 percent in natural gas production in 1972 in Alberta. The remaining reserves of gas in Alberta are estimated by the AERCB to be the same level as at the end of 1970. This is equivalent to 28 years of supply at 1971 production levels. The Board stated that, as with conventional crude oil, the life index of natural gas has continued to decline over the past few years.



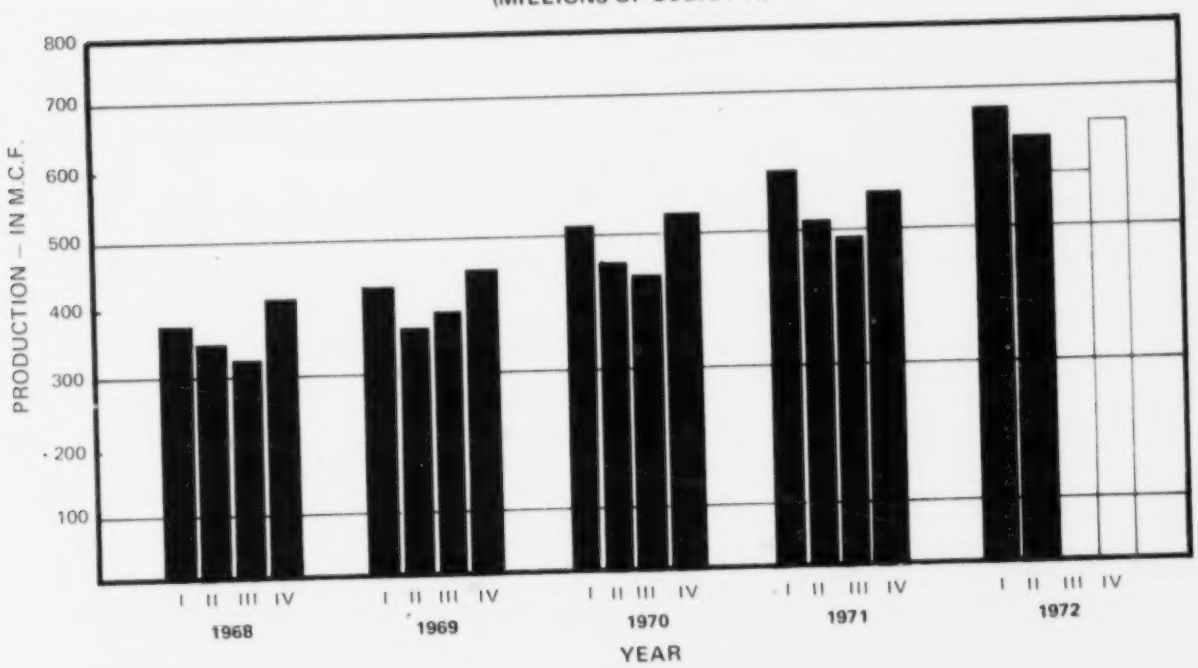
Production of crude oil and equivalent for the first half of 1972 reached 234 million barrels, an increase of 20 percent over the same period in 1971. An 18 percent increase in production in the first quarter of 1972 accounted for the bulk of the 10 percent increase in the petroleum index, which rose to 147.4. Modest increases of nearly 4 percent in both the gas production and footage drilled components of the Petroleum Index were recorded. Second quarter results were tempered by seasonal declines in crude and gas production resulting in a petroleum index of 101.3.

The current demand by Canadian consumers and Canadian and U.S. utilities will likely result in increases in gas prices relative to alternative fuels. Residential sales of natural gas in Canada are expected to increase to 2,090 billion cubic feet in 1972, up from the 1,912 billion in 1971. Prospects

PRODUCTION OF CRUDE OIL AND EQUIVALENT
ALBERTA, 1968 - 1972
(MILLIONS OF BARRELS)



PRODUCTION OF NATURAL GAS
(MILLIONS OF CUBIC FT.)



for 1973 indicate a further increase to over 2,200 billion cubic feet. Since 1968, Alberta producers have supplied an average of 75 percent of Canadian gas to Canadian consumers and slightly over 70 percent of the gas from all sources. Alberta is expected to supply approximately 1,570 billion cubic feet in 1972, and 1,650 billion cubic feet in 1973 to Canadian consumers.

One of the most important considerations in 1972 and 1973 will be the pricing of natural gas. It is expected that wellhead prices will increase due to the following:

1. rising prices of alternative fuels;
2. supply shortage in the U.S. and resultant bidding up of price by U.S. utility companies; and
3. increased distribution costs.

Another important decision facing the oil industry in Alberta will be participation in either the new reserves tax scheme or the higher royalty option.

Total footage drilled in Alberta in oil and gas exploration programs declined in 1971 from 1970. However, expectations for 1972 are for increased drilling in Alberta as a result of some clarity in oil company and drillers' positions with respect to the income tax act and the reconsideration of provisions originally proposed in the Competition Act (Bill C256). Industry officials report that knowing the effect of the tax act on their company has generated optimism with respect to drilling in the province of Alberta.

Recent gas and oil discoveries in the Canadian Arctic and the MacKenzie Delta diverted much of the exploration activity from the province in 1971. In the first six months of 1972, drilling activity in Alberta increased by about 44 percent with most of the stimulus coming from the southeast part of the province. Much of the activity was in shallow gas plays which provided a

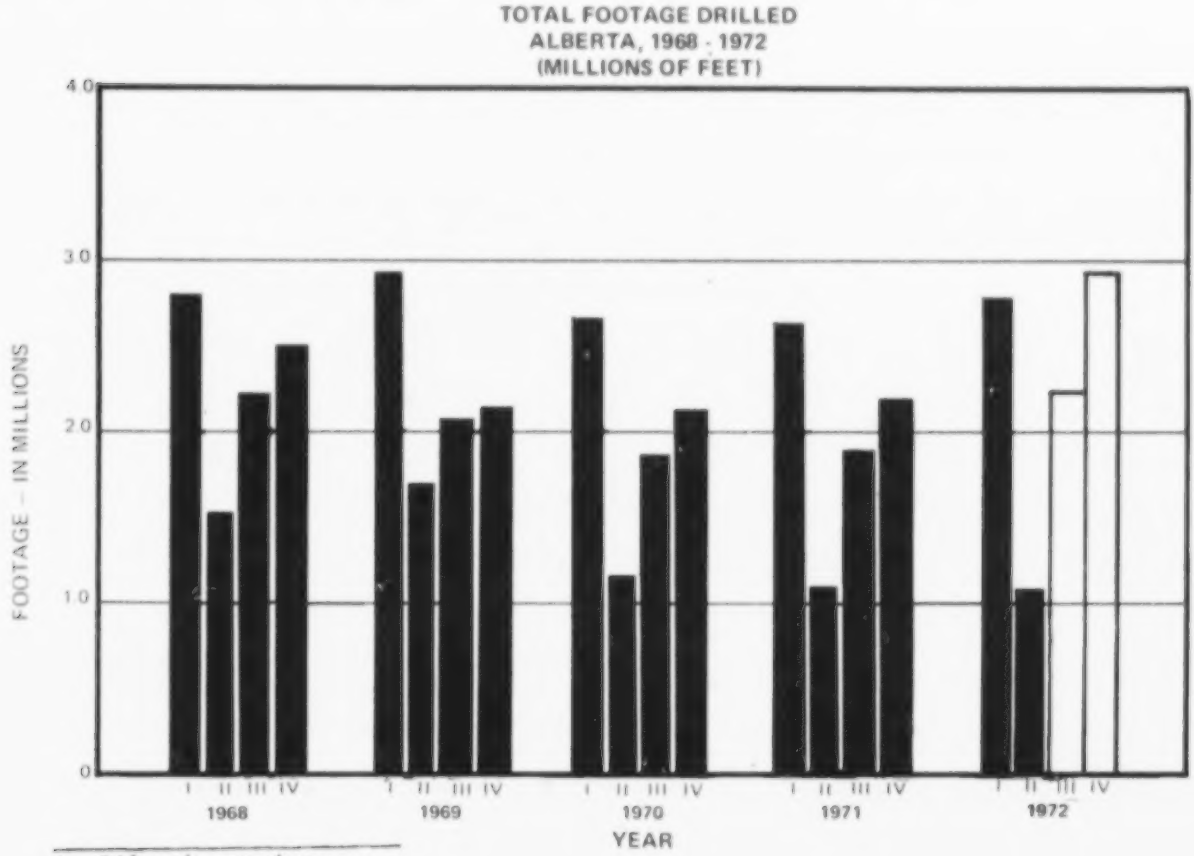
substantial increase in the number of wells drilled, but only moderate gains in total footage. Reasons cited for the increase in drilling in Alberta are:

1. "A survey of major operators indicated that many have increased their exploration budgets this year, while others are expecting to maintain the same level of activity as last year";

2. The "earlier availability of farmouts in the established regions (is) providing smaller operators with an opportunity" to acquire a greater chance to a portion of the activity; and

3. "An easing of the money market and availability of exploration funds has contributed to current optimism in western Canada".*

This year, Oilweek is anticipating a moderate gain in activity in Alberta with well completions totalling 2,400 and up to 9.0 million feet of hole. It was indicated that the Milk River gas play in the southeast part of the province will continue to attract activity. An increase is also expected in the northwest part of the province.



* Oilweek, various.

Stimulus to the increased exploration activity in the north and offshore regions has been provided by the increasingly acute energy shortage in the U.S. For example, what was a buyer's market in natural gas several years ago has resulted in a seller's market and excess demand today. The recent National Energy Board decision to restrict future natural gas exports to the United States was based on the calculation that Canadian reserves were not being increased in step with deliveries. Added stimulus, of course, is the expectation of higher prices. Given the demand for these products within Canada and in the U.S. a pipeline from the Canadian North is probable. If a pipeline is approved in 1973, construction may take place within two to three years and a full flow of materials could begin sometime before 1980.

Since mid-1970, feasibility studies on the removal of petroleum and natural gas by pipeline from Northern Canada and Alaska have been undertaken, with expectations for a firm proposal for a pipeline to be submitted to the Federal Government by January 1, 1973.

The route of the pipeline will depend on several factors:

1. The adequacy of reserve pools discovered to support a large scale pipeline;

2. Progress of exploration in the MacKenzie Valley vs the Arctic North Slope. If Delta oil is discovered in large quantities, it may be that a line from Alaska would not run through Canada because both sources would be competing for the same markets;

3. Major discoveries in the Eastern Arctic or offshore.

The large investment in gas processing facilities in Alberta is expected to taper off over the next few years. Foothills drilling activity is at its lowest level in several years and no major discoveries of sour gas fields have been made in 1971 and to date in 1972. It is estimated that a lead time of approximately 3 years is required for construction of a major gas plant. If no major fields are found in the province in 1972, it will be at least 1976 before another major plant will be operating in Alberta. In spite of this outlook, the construction of plants in Alberta in 1972 is expected

to be high as a result of a carry-over of projects from 1971.

Earlier this year, the Alberta Energy Resources Conservation Board approved an application by Syncrude Canada Ltd. to extract additional oil from the Athabasca tar sands near Fort McMurray, Alberta. The plant, if built, will have an approved capacity of 125,000 barrels per day.

Sulphur production in Alberta in 1971 increased to 4.5 million long tons, up 7 percent over 1970. A decline of close to $8 million in the total value of sales was experienced, with a resultant price decline to $7.22 per long ton. The prospects for 1972 for the sulphur market are for continued depressed prices resulting from a soft demand situation and continuing world oversupply. Production is expected to grow by about 30 percent to 5.9 million tons with sales slightly above those for 1971 at 3.0 million tons.

SULPHUR PRODUCTION
Alberta 1968 - 1972
(millions of Long Tons)

Year	Production	Sales	Alberta Year-end Inventory (Plant)	Value of Sales[1] ($mm)	Av.Price Per Long Ton
1972 (Forecast)[2]	5.5	3.0	7.6	21.0	$7.00[3]
1971	4.5	2.7	5.1	19.3	$7.22
1970	4.2	3.1	3.4	27.4	$8.93
1969	3.7	2.6	2.3	58.9	$22.94
1968	3.0	2.2	1.3	76.3	$34.54

Source: Historical data - Summary of Monthly Statistics, Alberta Energy Resources Conservation Board.

1. F.O.B. plant value of marketed sulphur.
2. Oilweek, June 26, 1972
3. Average price/long ton based on actual sales and value rather than rounded items given in table. Estimate for 1972 provided by the Planning and Intelligence Branch

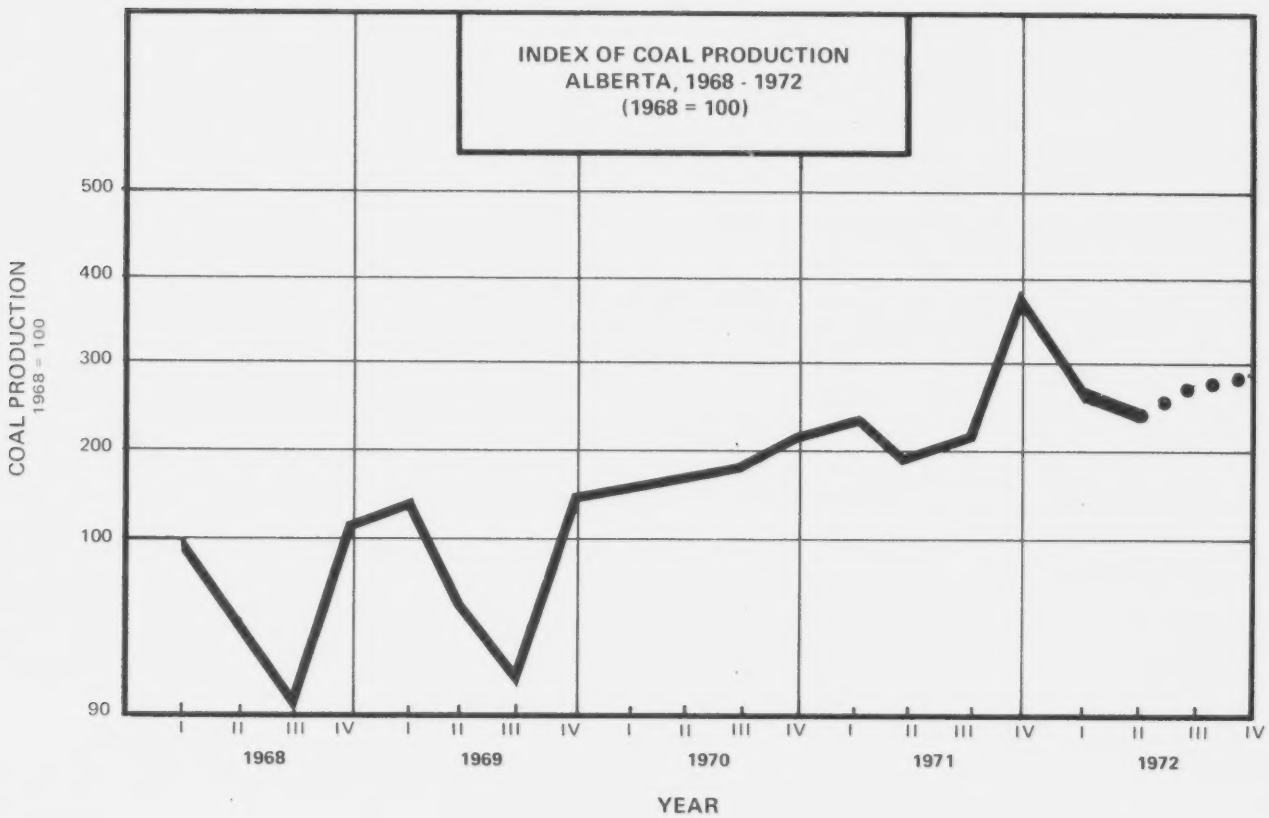
Coal

Coal production of nearly 9 million tons in 1971 was 31 percent above 1970's level, representing the highest production since 1946 in Alberta. Sales of Alberta coal were valued at nearly $42 million, an increase of approximately 57 percent over 1970.

Production of bituminous coal in Alberta in 1971 totalled 4.5 million tons with nearly 95 percent or 3.3 million tons being shipped to Japan. The remainder of production was accounted for by 4.4 million tons of sub-bituminous coal. Ninety-seven percent of sub-bituminous production was sold to utility companies in Alberta for thermal generation of electricity.

The strong expansion of the Japanese steel industry since the mid-1960's has resulted in Alberta bituminous coal contracts of 4.5 million long tons valued at over $62 million per annum over the next 10-15 years. For the fiscal year 1972-1973 beginning in April 1972, it is estimated that Canadian shipments will account for about 21 percent of total imports, or nearly 12 million tons. By 1973, it is expected that Canada will supply nearly 14 million tons per year and 19 million tons by 1975.

Given the strong demand for coal from Japan and domestic thermal power plants, it is estimated that total raw coal production in Alberta in 1972 will increase by close to 22 percent to nearly 11 million tons. In addition to Alberta markets, Alberta's low-sulphur coal is a potential source of supply for Eastern Canadian markets, assuming that transportation costs can be reduced sufficiently to render it competitive with U.S. coal currently being imported into Eastern Canada.


INDEX OF COAL PRODUCTION
ALBERTA, 1968 - 1972
(1968 = 100)
COAL PRODUCTION
1968 = 100
500
400
300
200
100
90
I II III IV I II III IV I II III IV I II III IV I II III IV
1968
1969
1970
1971
1972
YEAR

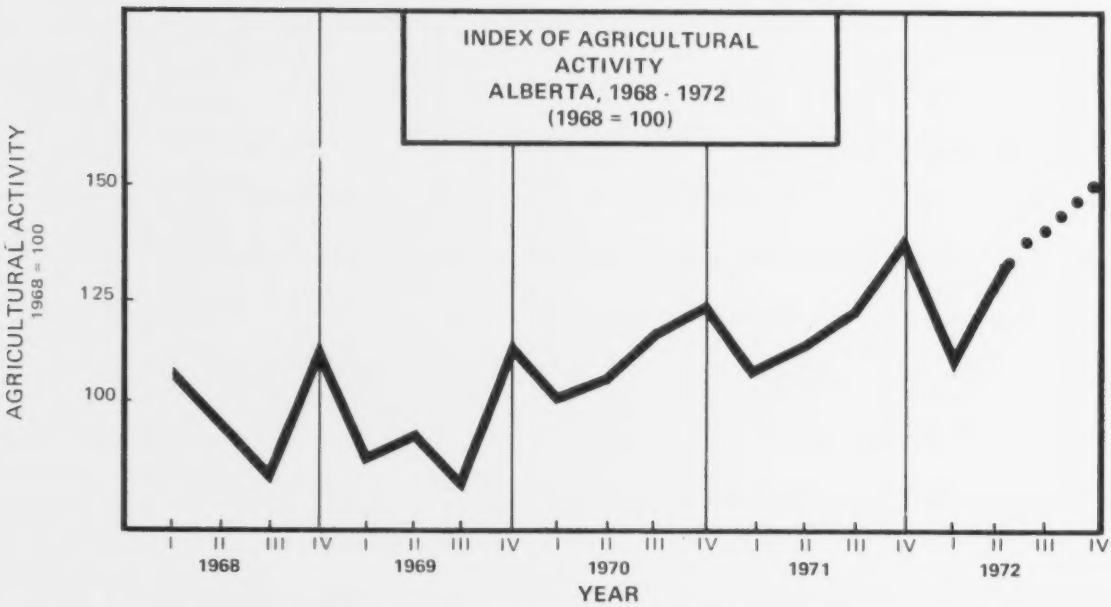
For the future, Japanese coal contracts could increase by up to 10 percent, taking into account the assumption of an 8-10 percent increase in Japan's steel output. Recent slackening in Japan's economic growth and reduced steel output have recently resulted in a decline in demand for Western Canadian coal. This situation could temper optimism regarding future contracts with Japan. However, Canadian demand should remain strong for at least the next five years.

LONG-TERM CONTRACTS FOR COAL EXPORTS TO JAPAN
Alberta Mines, 1970 - 1972

Coal Mine	Canadian Firm	1970	1971	1972
		('000 long-tons)		
Coleman	Coleman Collieries Ltd.	650	1,000	1,000
Canmore	The Canmore Mines Ltd.	500	500	500
Luscar	Cardinal River Coals Ltd.	1,000	1,000	1,000
Grande Cache	McIntyre Porcupine Mines Ltd.	1,500	2,000	2,000
	Total Quantity	3,650	4,500	4,500
	Total Value* (Millions of Dollars)	$50,553	$62,325	$62,325

Source: Alberta Northwest Chamber of Mines.

* Value is calculated on basis of $13.85 per long-ton (F.O.B. West Coast Port).



NOTE: THE AGRICULTURAL ACTIVITY INDEX IS A COMPOSITE OF GRAIN SHIPMENTS OUT OF THE PROVINCE AND NUMBER OF LIVESTOCK SOLD AT PUBLIC STOCKYARDS, WEIGHTED BY THE CASH RECEIPTS FOR THE COMPONENTS.

INDEX OF AGRICULTURAL ACTIVITY
ALBERTA, 1968 - 1972
(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	108.4	95.7	82.1	113.9	100.0
1969	86.7	92.2	80.9	113.9	93.4
1970	99.2	111.6	119.8	126.0	114.2
1971	106.1	112.9	124.2	143.3	121.6
1972	106.1	126.4*	137.4**	149.6**	129.9**

* Preliminary Actual
** Forecast

AGRICULTURE

The expansion in the level of activity in the agricultural industry in Alberta in the last half of 1971 continued into 1972. The Agricultural Activity Index, which reached 106 in the first quarter, is equal to last year's figure. Shipments of grain were down approximately 12 percent due to disruptions in rail traffic to west coast ports. However, a 12 percent increase in the numbers of livestock marketed largely accounted for the stability in the Index. Prospects for the remaining two quarters of the year are for performance better than 1971. Influencing this projected performance will be the duration of the current dock strike at British Columbia ports.

At the end of March, 1972, on-farm grain stocks in Alberta were at their lowest levels since 1968 due to high grain movements to meet contract commitments with the People's Republic of China and the Soviet Union. As a result of strong wheat sales in 1972, minimum wheat and barley deliveries were increased this year by the Canadian Wheat Board and should lead to a substantial increase in cash receipts from grain by year end.

Prospects for the grain sector for 1972 and into 1973 are encouraging. Recent wheat sales to the Soviet Union and the People's Republic of China plus continuing record sales of barley may result in record shipments of grain from country elevators in Alberta in 1972. Supporting this optimism is the report that 1972 seeding intentions for wheat acreage in Alberta were about 23 percent above 1971. This indicates that the sale of the output from an acre of wheat provides many producers with a better return per acre seeded to any alternative crops - providing, of course, the output can be sold.*

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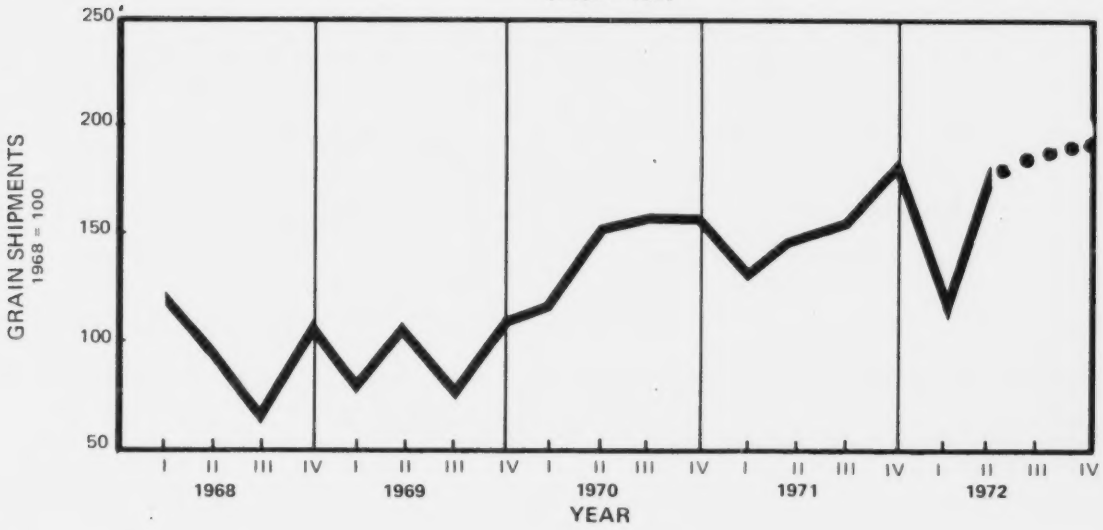
* "Alberta Farm Market Analysis", May 2, 1972.

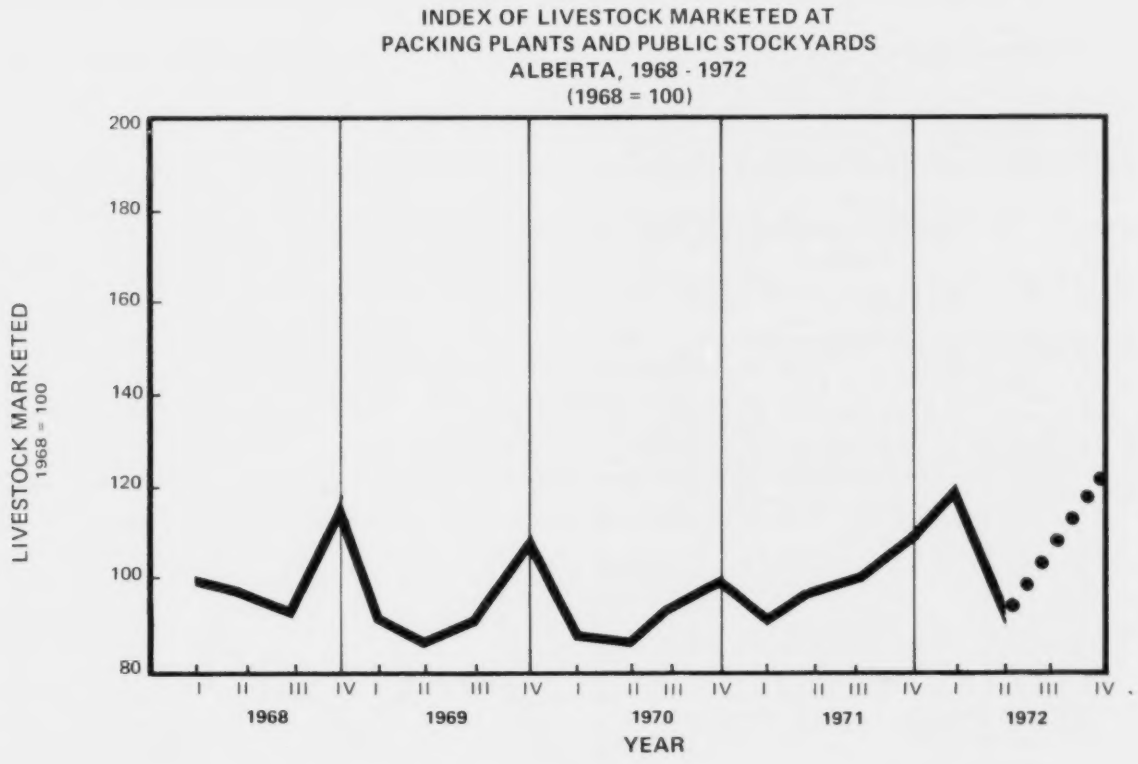
Short-term prospects for rapeseed are uncertain. Shipments from Alberta elevators to the end of July are down significantly. Vancouver stocks are presently at record levels and low prices have discouraged producers from delivering to elevators. Steadily increasing prices for the period January to April to over $2.69 per bushel were followed by declines in May and June. Late August cash selling prices have declined to close at $2.49 per bushel.

INDEX OF GRAIN SHIPMENTS OUT OF
ALBERTA ELEVATORS
1968 - 1972
(1968 = 100)



For cattle, prices at the end of 1971 averaged $34.80 per hundred-weight for choice steers at the Calgary stockyards. Strong consumer demand for beef in Canada is expected to continue. For the first half of 1972, actual numbers of cattle

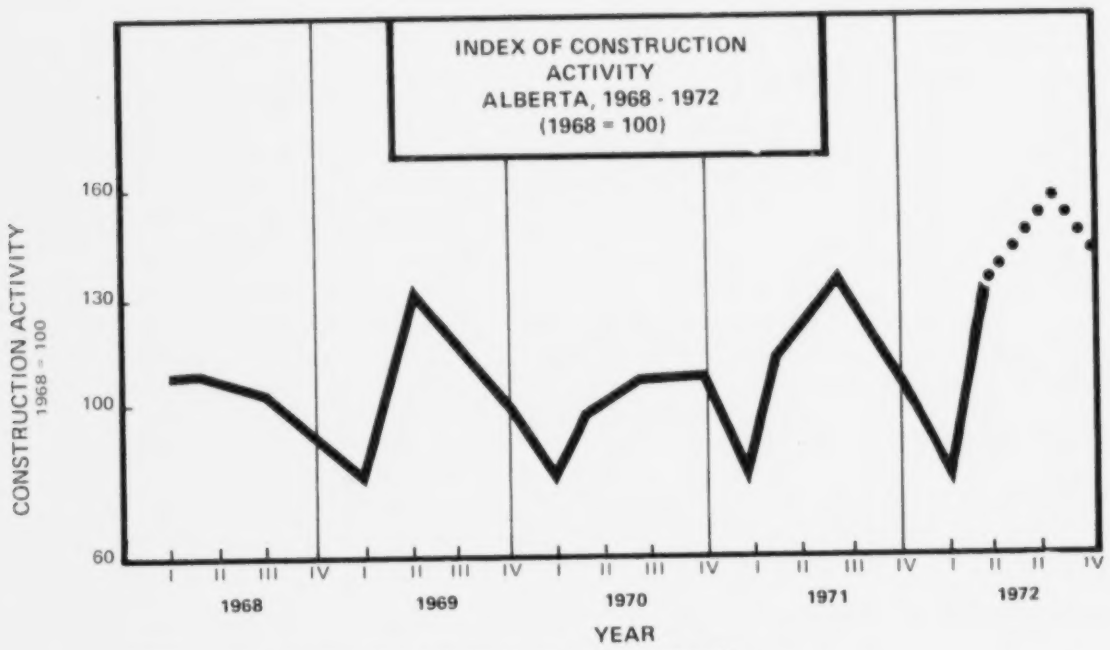
and calves marketed in Alberta are up nearly 10 percent over the same period in 1971 with choice steer prices near $33.20 for the week ending August 12, 1972. Prices



are expected to remain firm during the last half of 1972 due to strong consumer demand, unless the 1972 calf crop shows a substantial increase.

Hog prices are expected to improve in 1972 if the U.S. pig crop in 1972 is reduced as expected. Calgary prices were holding steady near $34.55 per hundred-weight for the week ending August 12, 1972, compared with $24.00 at the end of 1971.

Reflecting the increase in cattle marketings and increased shipments of grains from Alberta Elevators, farm cash receipts for 1972 should be 10 percent above 1971.



NOTE: The Construction Activity Index is a composite of:

a) housing starts
b) cement production
c) a metal shapes shipments index
d) rigid insulation board shipments to Alberta

weighted by the value of the components.

INDEX OF CONSTRUCTION ACTIVITY
ALBERTA, 1968 - 1972

YEAR	I	II	III	IV	Average
1968	74.0	111.1	108.9	106.1	100.0
1969	75.3	127.5	121.1	116.6	110.1
1970	75.9	99.3	106.9	103.8	96.5
1971	72.9	121.2	137.2	111.9	110.8
1972	86.1	129.4*	157.8**	144.4**	129.4**

* Preliminary Actual
** Forecast.

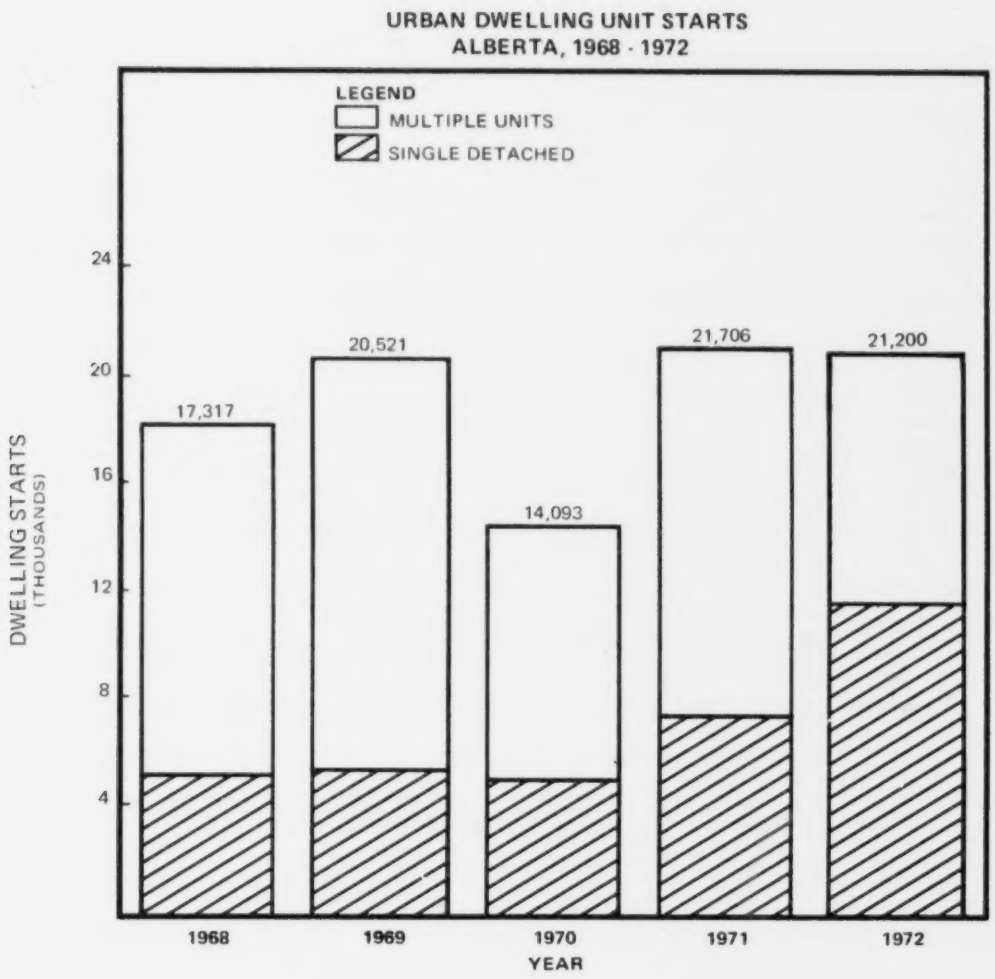
CONSTRUCTION

New construction expenditures in Alberta are expected to exceed those of 1971 by approximately 8 percent to $1,597 million. Total expenditures on new construction and repairs are forecast to be up by nearly $131 million to $1,895 million, an increase of 7.5 percent from 1971.

The record level of urban dwelling starts in Alberta in 1971 of nearly 22,000 will not be met in 1972. An expected increase in single dwelling units will be more than offset by a decline in multiple dwelling construction. Intentions as reported in the latest Statistics Canada and Department of Industry, Trade and Commerce investment survey indicate the increase in value of new residential construction accompanied by a decline in the total number of starts may be due to rapidly rising material costs resulting in higher prices of new housing.

Oil and gas companies surveyed in the Economic Council of Canada "Medium-Term Capital Investment Survey - 1971" in late 1971 indicated plans to spend over $900 million in Canada in 1971. A comparison of responses of firms surveyed in both 1970 and 1971 show that planned expenditures were increased moderately for 1971 and quite substantially for 1972 and 1973. In particular:

> Expenditures for expansion will remain steady at around 62 percent of total investment during the 1971 - 1973 period. In 1972 and 1973, some shift was indicated from outlays for modernization and replacement to a market percentage increase in facilities.
>
> All of the companies in the survey anticipate increases in both domestic and export sales together with higher profits in 1972 and 1973.



A group of companies contacted in the same Economic Council of Canada's survey included the major oil and gas pipeline firms and the larger gas distribution utilities:

> Capital expenditures by these companies are estimated at around $465 million in 1971, up sharply from 1970....A further increase in expenditures is planned for 1972 with outlays in other years up to 1975 running considerably low to rather high 1971 levels. Except in 1972 all of these increased expenditures are for machinery and equipment.

Only a small portion of this expenditure is to be spent on construction in Alberta, with most of the construction taking place in Saskatchewan, Manitoba and Ontario.

CAPITAL AND REPAIR EXPENDITURES ON CONSTRUCTION
ALBERTA, 1968 - 1972
- millions of dollars -

Industry	1968	1969	1970	1971	1972
Primary Industries and Construction Industries	424.5	484.4	549.1	566.2	554.4
Manufacturing	62.5	46.5	87.4	47.9	86.7
Utilities	236.8	241.5	282.1	243.7	265.8
Trade, Finance and Commercial Securities	74.0	101.3	95.7	79.1	107.6
Housing	390.0	400.6	350.0	453.9	503.7
Institutional Services and Government Depts.	336.1	333.1	344.8	373.3	377.0
Total	1,442.9	1,607.4	1.709.1	1,764.1	1,895.2

Source: "Private and Public Investment in Canada", Statistics Canada and the Department of Industry, Trade and Commerce.

With oil and gas firm's capital investment intentions in 1971 equalling 100, 1972's outlays for construction are expected to reach 110.6 and 124.0 in 1973. These may be compared with a 6.6 percent increase in 1972 and a decline of almost 8 percent to 98.1 in 1973 for outlays for machinery and equipment.

Gas plant construction in Alberta in 1972 should record the second largest year in history for a total of nearly $175 million. However, due to lack of large gas field discoveries, the capital value of construction for 1973 is expected to drop off significantly. Gas plant projects currently underway in Alberta are expected to cost between $160 to $175 million, down by 25 percent from the total value of projects in 1971.

A proportion of gas plant expenditures in 1972 is expected to be spent on modification of plants to meet Alberta's new sulphur recovery guidelines announced in the fall of 1971. Oilweek reports that of 38 plants in Alberta with commercial elemental sulphur recovery facilities, only 17 are capable of meeting the guideline requirements without modification of existing processes and equipment. The other 21 plants may require remedial work ranging in value from relatively small sums to nearly $3 million for a total of nearly $34 million.

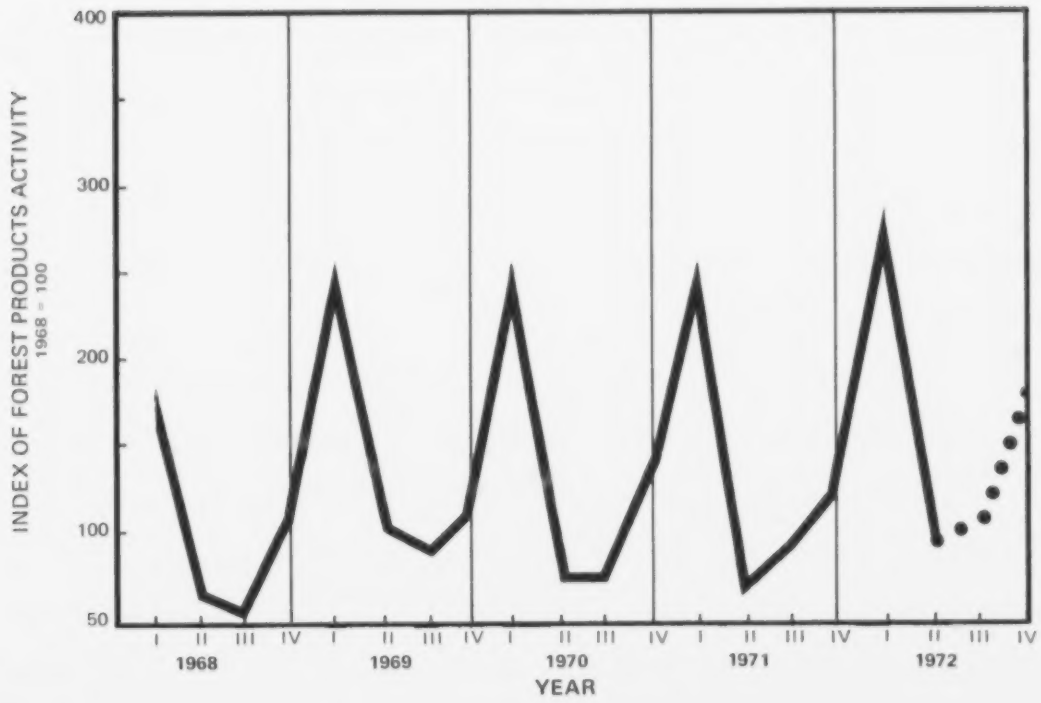
Refinery capacity in Alberta will be increased as a result of Imperial Oil's construction of new facilities in Edmonton. With completion in late 1974, the new 140,000 barrel per day refinery is expected to cost approximately $200 million and supply requirements throughout Western Canada.

Pipeline construction in Canada in 1972 is expected to equal that of 1971. Capital investment intentions of firms responding to the Economic Council's survey indicate a 13 percent increase in construction expenditures in 1972 and nearly 20 percent increase in machinery and equipment expenditures for 1972.

By August, 1973, a decision is expected to be made by Syncrude Canada Ltd. on construction of an oil extraction plant in the Athabasca Tar Sands near Fort McMurray, Alberta. If the company decides to proceed with the project, construction could start in late 1973 with full production expected sometime in 1976.

Construction of the $92 million pulpmill near Grande Prairie is progressing satisfactorily with the structural work at the plant virtually completed. Production is scheduled to commence near the middle of 1973.

INDEX OF FOREST PRODUCTS ACTIVITY
ALBERTA, 1968 - 1972
(1968 = 100)



Note: The Forest Products Activity Index is a composite of lumber production and pulpwood production in Alberta, weighted by value of production.

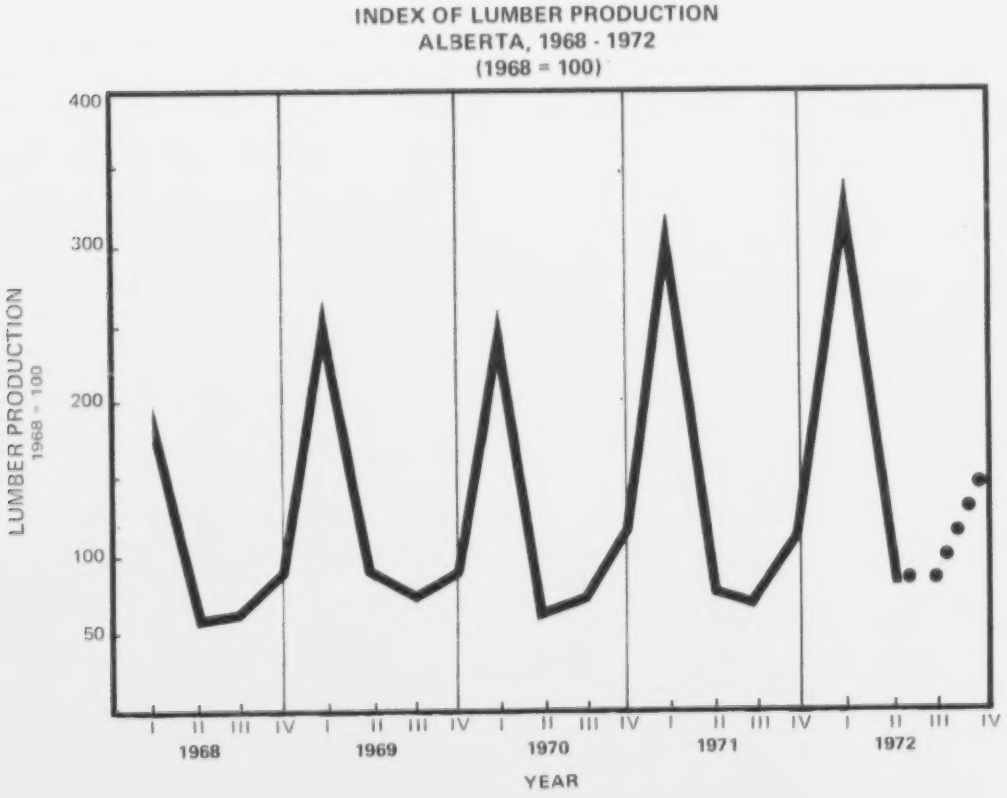
INDEX OF FOREST PRODUCTS ACTIVITY
ALBERTA, 1968 - 1972
(1968 = 100)

Year	I	II	III	IV	Average
1968	177.6	66.3	52.1	103.9	100.0
1969	240.1	101.7	87.5	110.9	135.1
1970	257.2	72.5	72.5	141.6	136.0
1971	252.2	60.3	88.8	121.7	130.8
1972	288.8	92.3*	97.3**	162.6**	160.3**

* Preliminary Actual
** Forecast.

FOREST PRODUCTS

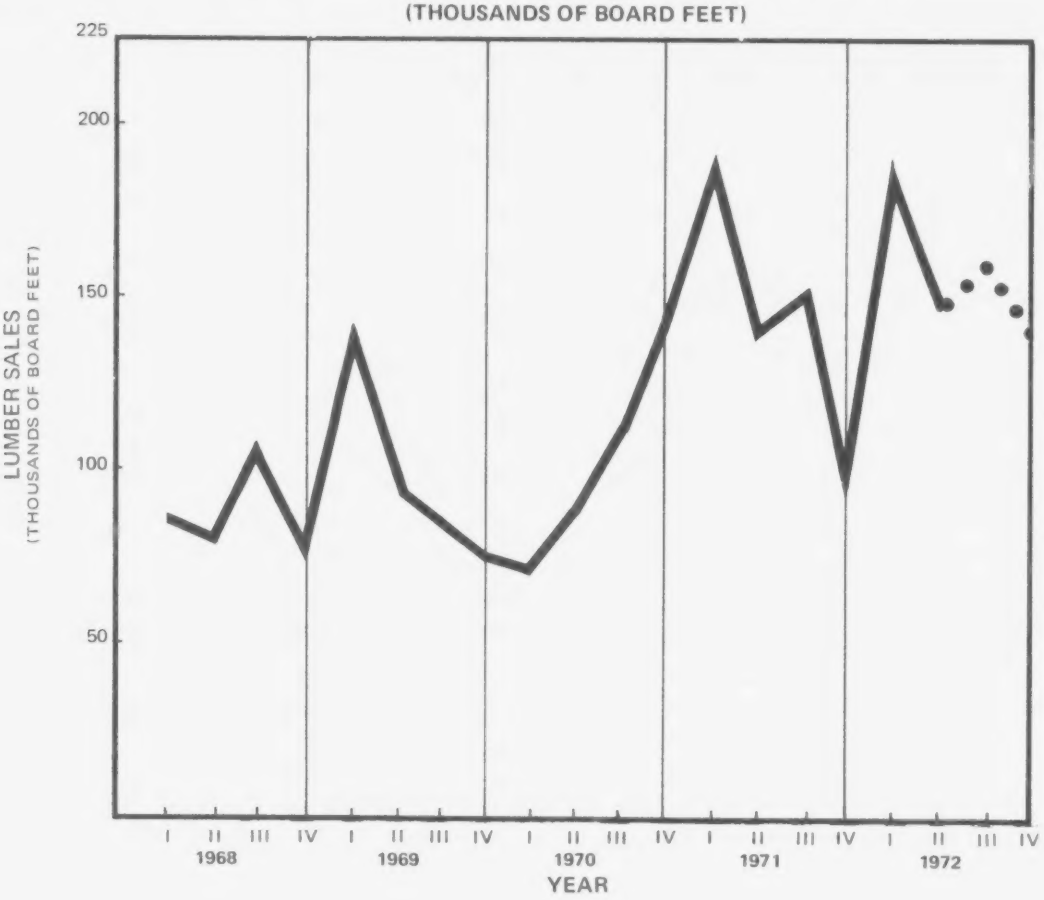
In general, the forest products industry in Alberta is enjoying an improved year in 1972. In Canada and the western United States the strong demand for lumber for residential construction has enhanced the outlook for the industry in 1972. The record level of dwelling starts in Alberta in 1971 is not expected to be matched in 1972, although continuing strength in the U.S. market should maintain a high level of lumber sales throughout the year.



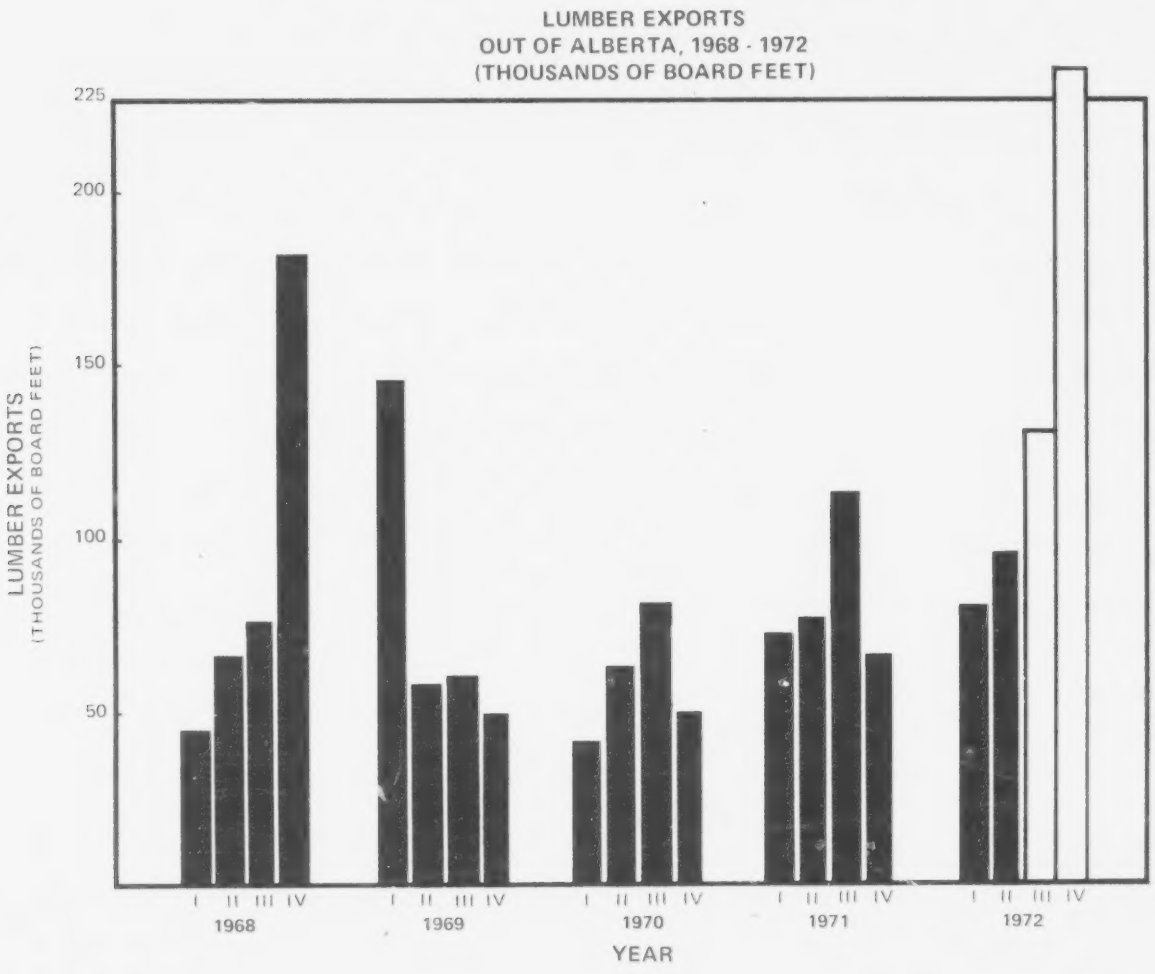
Lumber production in 1971 was nearly 10 percent greater than 1970's performance. The performance for the first half of 1972 is approximately 4 percent above the same period in 1971. Lumber sales in 1971 by far outranked previous performances - nearly 542 million board feet were sold, representing an increase of nearly 20 percent over 1970. Preliminary results for the first half of 1972 indicate an increase of 4.5 percent over the same period in 1971. Alberta lumber exports totalled nearly 322 million board feet, an increase of nearly 25 percent over 1970. Expectations for 1972 are for an excellent export year.

Production at the Hinton stud mill began in mid 1972 with production expected to total nearly 50 million board feet per year.

SALES OF ALBERTA LUMBER
1968 - 1972
(THOUSANDS OF BOARD FEET)



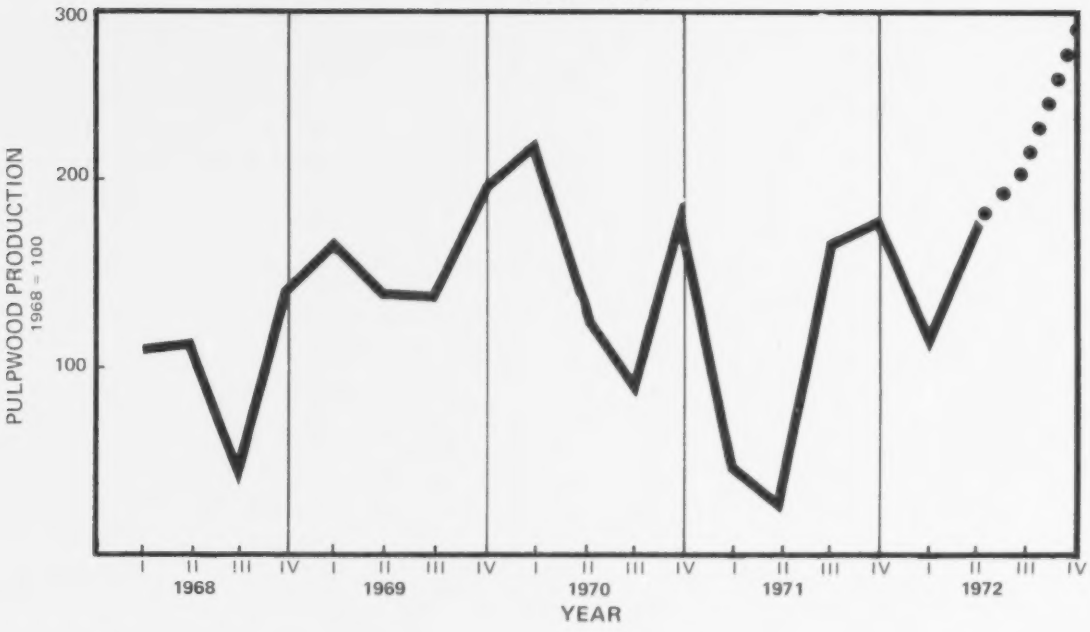
Reports on the Department of Industry, Trade and Commerce's recent trade mission to Japan indicate that Japan may be interested in importing more lumber from Canada. Current estimates set the annual lumber shipments from Canada to Japan at nearly $39 million. The report goes on to discuss annual dwelling starts in Japan. They are expected to average 2 million units annually for the next five years and Japanese contacts were reportedly interested in Canadian construction techniques and building codes. Japan currently imports 5 percent of its lumber requirements, obtains 50 percent from domestic sources and manufactures 45 percent from imported logs.



The strength in lumber production and improvements in prospects for pulpwood should bring the average quarterly index for the forest products industry for 1972 to 160.3, up by 23 percent over the 1971 average of 130.8. This year's increase is due in part to a high level of lumber production throughout 1972. The low level of pulpwood production in the second quarter of 1971 drew the forest products activity index down to 60.3, its lowest level since the third quarter of 1968. Prospects for the second quarter of 1972 are for an index value of 92.3, nearly 53 percent above the same period in 1971, mainly due to increases in lumber production and increases in pulpwood production to prestrike levels.

The strike in the pulpwood sector in early 1971 accompanied by soft prices in late 1971 led to an overall estimated decline in production of nearly 33 percent. In total, production for the first half of 1972 indicates production will exceed that of 1971, but not up to the previous high in 1970. With the Grande Prairie pulp mill set to come on stream in 1973, a build-up of pulpwood inventories is expected to start early in 1973. Pulpwood production should increase substantially in the area and contribute to an overall increase in pulpwood production in Alberta in 1973 to over 600,000 cunits.

INDEX OF PULPWOOD PRODUCTION
ALBERTA, 1968 - 1972
(1968 = 100)



It is expected that it will be the end of 1972 before finished pulp inventories are reduced to more normal levels. The underdemand for woodpulp existing in North America in 1971 is expected to be overcome in 1972 and 1973, due to the rate of growth of the Canadian, U.S., and other economies. The situation will still be characterized by some overcapacity with accompanying shrinking profits in 1972. The year 1973 is expected to be an excellent year for the industry in Alberta.

The logging expected to commence in early 1973 to supply the Grande Prairie pulpmill will employ an estimated 600 persons when full commercial cutting begins in the area. In addition, staff increases at the mill site will add to the benefits that should accrue to the area.

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